



NEW BLOOMFIELD R-III SCHOOL DISTRICT  
CALLAWAY COUNTY, MISSOURI  
YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2001-19  
March 13, 2001  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2001

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the New Bloomfield R-III School District, Callaway County, Missouri.**

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The New Bloomfield R-III School District has experienced significant growth in the revenues and expenditures of its operating funds during the last five years. Despite the growth in revenues, the district has spent more than it received during the last two years, and as a result, has experienced a significant decline in the financial condition of its operating funds. The district's operating reserves dropped from 29 percent to 5 percent of annual expenditures over the past two years. In addition, the district's current budget projects an operating funds deficit of approximately \$200,000 at June 30, 2001. The School Board needs to review its current budget and take steps to balance the budget. In addition, the School Board needs to develop a long-range plan to improve the financial condition of the district.

During the five years ended June 30, 2000, the district repeatedly overspent budgeted expenditures in various funds. In addition, the budget document was not presented to and approved by the school board in a timely manner for the year ended June 30, 2000. The board approved this budget on September 1, 1999. The district's budgeting policy requires that the budget be adopted by June 30.

In light of the district's declining financial position, it is imperative for the district to prepare accurate budget estimates on a timely basis and to closely monitor actual revenues and expenditures. The board should refrain from approving expenditures in excess of the budgeted amounts, and if necessary, adopt budget amendments in accordance with state law.

The district's 2000 debt service tax levy was set at \$1.01 per \$100 assess valuation while it appears the levy should have been set at \$.51 per \$100 assessed valuation. The district will over collect approximately \$138,000 in debt service revenues. District officials indicated the extra revenues generated by the levy will be used for the early retirement of callable bonds, which reduces bond interest expenditures. The district should ensure future debt service levies are properly calculated.

The school district does not always solicit bids or retain bid documentation for major purchases. The district's bidding policy only addresses construction projects and insurance. The district should develop a formal bid policy for all major purchases.

(over)

YELLOW SHEET

The purpose of some meal reimbursements to the former superintendent was not always clearly documented, and expense reimbursements to the former superintendent and the former administrative assistant were not always approved by a supervisor. Purchase orders were not prepared in accordance with district policy for several purchases. The district did not have adequate policies to ensure professional development resources were spent in accordance with state guidelines.

A husband recorded some of his time worked on his wife's timesheet, to allow her to qualify for benefits including health insurance. The district incurred 1,741 hours of overtime in the 1999-2000 school year, but doesn't have a policy to govern the approval of overtime. Some compensation payments made to employees were not reported on Forms W-2, and the district did not issue any Forms 1099-Miscellaneous for 1999.

The district does not have a current facility usage plan or a written contract for the use of the machine shop at the home of the individual who maintains the buses.

NEW BLOOMFIELD R-III SCHOOL DISTRICT  
CALLAWAY COUNTY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Board of Education  
New Bloomfield R-III School District  
New Bloomfield, MO 65063

The State Auditor was petitioned under Section 29.230, RSMo, to audit the New Bloomfield R-III School District. The school board had engaged William E. Wooldridge Jr., Certified Public Accountant (CPA), to perform an audit of the district for the year ended June 30, 2000. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. Our audit of the school district included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

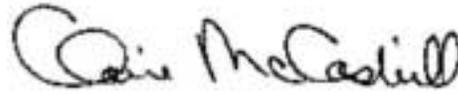
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions, as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures, as we considered necessary in the circumstances. We also reviewed board minutes, school district policies, and various school district financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization and Appendices are presented for informational purposes. This information was obtained from the district and its audited financial reports and was not subjected to auditing procedures applied during our audit of the district.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the New Bloomfield R-III School District.



Claire McCaskill  
State Auditor

December 1, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Karen Laves, CPA  
Audit Manager: Mark Ruether, CPA  
In-Charge Auditor: Joyce Nielson, CPA

## HISTORY AND ORGANIZATION

NEW BLOOMFIELD R-III SCHOOL DISTRICT  
CALLAWAY COUNTY, MISSOURI  
HISTORY AND ORGANIZATION

The New Bloomfield R-III School District is located in the central area of Callaway County. The campus of three schools is located in New Bloomfield approximately 15 miles north of Jefferson City on Highway J, near Highway 54.

The district operates a senior high school (grades 9-12), a junior high school (grades 6-8), and an elementary school (grades K-5). Enrollment was approximately 645 for the 1999-2000 school year, and the district employed approximately 87 full and part-time employees, including 4 administrators, 49 teachers, and 34 support staff.

New Bloomfield R-III School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education

A seven-member Board elected for three-year terms, serves without compensation as the policy-making body for the district's operations. Members of the Board at June 30, 2000 and their current terms of office are:

<u>Name and Position</u>	<u>Current Term Expires</u>
Julie Ives, President	April 2002
Doyle Beck, Vice President (1)	April 2003
Dale Cuno, Treasurer	April 2002
Leonard Hodges, Member	April 2001
Kathryn Reece, Member	April 2001
Patsy Suttles, Member (1)	April 2003
Leroy Wade, Member	April 2002

(1) Elected to the board in April 2000, replacing Al Robinson and Wayne Hinkle.

<u>Other Principal Officials</u>	<u>Annual Compensation</u>
Eric Mansfield, Superintendent (1)	\$ 76,533
James Woods, High School Principal (2)	54,200
Joseph Williams, Junior High School Principal (2)	49,500
Susan Rehagen, Elementary School Principal	47,000

(1) Dr. James Botts became the Superintendent in July 2000.

(2) Julie Trammell became the High School and Junior High School Principal in July 2000.

Assessed valuation and tax rate information for the school district were as follows:

	<u>2000</u>	<u>1999</u>
Assessed Valuation	\$ <u>27,293,273</u>	\$ <u>24,793,215</u>
Tax Rate:		
Incidental	\$ 2.75	\$ 2.75
Debt	<u>1.01</u>	<u>1.01</u>
Total	<u>\$ 3.76</u>	<u>\$ 3.76</u>

MANAGEMENT ADVISORY REPORT

NEW BLOOMFIELD R-III SCHOOL DISTRICT  
CALLAWAY COUNTY, MISSOURI  
SUMMARY OF FINDINGS

1. Financial Condition (pages 9-10)

The district has experienced a decline in the financial condition of its operating funds (General Fund and Special Revenue Fund) over the past two years. The district's operating reserves dropped from 29 percent to 5 percent of annual expenditures. In addition, the district's current budget projects an operating funds deficit of approximately \$200,000 at June 30, 2001.

2. Debt Service Property Tax Levy (pages 10-11)

The district's 2000 debt service levy was set at \$1.01 per \$100 assessed valuation while it appears the levy should have been set at \$.51.

3. Budgets (pages 11-13)

The district overspent its approved budget amounts in various funds during the last several years.

4. Expenditures (pages 13-17)

Bids were not obtained or bid documentation retained for several of the district's purchases. Adequate supporting documentation and approval were not obtained for some expense account reimbursements, purchase orders were not always prepared timely and accurately, and professional development expenditures were not always in compliance with the Outstanding Schools Act. The duties of ordering and approving food expenditures should be segregated from the duties of receiving food shipments. Some district expenditures for appreciation dinners and flowers did not appear to be necessary operating expenditures.

5. Facilities Management (pages 17-18)

The district does not have a current facility usage plan or a written contract for the use of the machine shop at the home of the individual who maintains the buses.

6. Personnel and Related Policies and Procedures (pages 18-20)

A husband recorded some of his time worked on his wife's timesheet, to allow her to qualify for benefits including health insurance. The district incurred 1,741 hours of overtime in the 1999-2000 school year, but doesn't have a policy to govern the approval of overtime. Some compensation payments were made to employees which were not reported on Forms W-2, and forms 1099-Miscellaneous were not issued for 1999.

7. General Fixed Asset Records and Procedures (pages 20-21)

A permanent detailed record of the property owned by the district has not been established. Prenumbered inventory tags are not affixed to property items.

NEW BLOOMFIELD R-III SCHOOL DISTRICT  
CALLAWAY COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT

**1. Financial Condition**

During the last five years, the district has experienced significant growth in the revenues and expenditures of the operating funds (General Fund and Special Revenue Fund). Despite the growth in district revenues, the district has spent more than it received during the last two years, resulting in a decline of the balance in the operating funds as follows:

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Beginning balance	\$ 450,991	728,019	364,850	174,767	(30,509)
Revenues	3,579,399	3,036,232	3,051,668	2,433,858	2,164,054
Expenditures	(3,701,333)	(3,127,103)	(2,492,825)	(2,243,775)	(1,952,082)
Net transfers	<u>(143,950)</u>	<u>(186,157)</u>	<u>(195,674)</u>	<u>0</u>	<u>(6,696)</u>
Ending balance	<u>\$ 185,107</u>	<u>450,991</u>	<u>728,019</u>	<u>364,850</u>	<u>174,767</u>
Ending balance as a percentage of expenditures	5.0%	14.4%	29.2%	16.3%	9.0%

As shown in the above table, the financial condition of the operating funds has declined significantly in the past two years. At June 30, 2000, the balance of the operating funds was only approximately \$185,000.

The district overspent its budget for the year ended June 30, 2000, and ended the year with \$275,000 less than it had anticipated. The board was provided monthly financial information during this time period to monitor the financial condition of the district and should have addressed the financial decline in a more timely manner. See Management Advisory Report (MAR) No. 3 for more specific budgeting concerns.

Expenditures for instruction expense increased approximately \$507,000 in fiscal year ended June 30, 1999, due in part to hiring more teachers for the increase in enrollment. However, the increase in revenues has not kept up with the increase in expenditures.

For fiscal year 2001, the district budgeted revenues of \$3,869,845 and expenditures of \$4,270,213. With a beginning balance of \$185,107, the budget shows a projected fund balance of negative \$215,261 at June 30, 2001. Deficit budgeting is prohibited by state law. In addition, it appears the district is headed for serious financial problems unless immediate action is taken to increase revenues or reduce expenditures. The school board recently approved putting a tax rate increase of \$.30 per \$100 assessed valuation on the April 2001 ballot. The board should also closely review all budgeted expenditures and determine if immediate cuts can be made to avoid the planned deficit.

The school district does not have a long-term financial plan. Although the budget process provides annual financial planning, the school board needs to plan for the long-term to ensure the school district can maintain or increase the fund balance.

**WE RECOMMEND** the School Board closely review the current budget and take steps to balance the budget. In addition, the board should develop annual budgets that more accurately reflect the district's anticipated activity and develop a long-range plan to improve the financial condition of the district.

**AUDITEE'S RESPONSE**

*While the board received regular financial information, the minutes of the related meetings do not reflect the level of concern expressed by board members or the extent to which additional information was requested of the district's administration concerning this issue. On numerous occasions, individual board members as well as the board as a whole requested follow up information regarding purchases and expenditures. Typical responses to these inquiries were assurances that the budget impact had been reviewed and all necessary adjustments had been made. As a specific example, the board was assured that sufficient funds were available to employ additional instructional staff for the 2000-01 school year. Subsequent review of the budget documents revealed that revenue growth was probably insufficient for their employment without major reallocation of resources. In many instances, the request for information never received a response. This inability to get access to complete information severely handicapped the board's ability to gain an understanding of the developing financial issues or to take effective steps to correct the underlying problems.*

*On February 8, 2001, the board of education approved a budget revision presented by Dr. Botts, Superintendent. This revision, is in compliance with state statutes, and indicates all funds will either end the year on June 30, 2001, with a positive balance or at the very least a zero balance.*

<b>2. Debt Service Property Tax Levy</b>
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The school district levies debt service property taxes to pay the principal and interest of the district's general obligation bonds. The district's 2000 debt service levy was set at \$1.01 per \$100 assessed valuation. However, it appears the tax rate should have been set at \$.51 per \$100 assessed valuation, based on the district's minimum required debt payments for 2001 and a reasonable reserve, as allowed by state law.

District officials indicated that the levy was set at \$1.01 to allow the district to make early payments of callable bonds, which would reduce future interest payments. However, the district did not clearly document this intent on its tax rate calculation worksheets, which are submitted annually to the State Auditor's Office. In addition, the district's budget for the year ended June 30, 2001, did not indicate any early payments of bond principal. In September 2000, the district deposited \$68,275 of debt service funds into escrow for the early retirement of \$70,000 of callable bonds.

Based on our calculation of the district's available debt service balance and future minimum debt principal and interest payments, the district levied approximately \$138,000 more than required in 2000 debt service taxes. The district underreported the estimated available debt service cash balance at December 31, 2000 by approximately \$39,000. District officials indicated this error occurred because the district used an inaccurate draft version of its financial statements when preparing its tax rate calculation. The district overreported the required principal and interest payments for 2002 (a reasonable reserve) by approximately \$99,000, primarily because the district did not consider the effect of the reduction in future principal payments due to the September 2000 early escrow deposit.

**WE RECOMMEND** the School Board ensure future debt service tax rates are properly calculated and set in accordance with state law.

**AUDITEE'S RESPONSE**

*The New Bloomfield R-III School district is a growing district and has needed to accomplish a number of building projects in recent years. The policy of the Board of Education and Administration has been to maintain a constant debt service fund levy and to prepay as many bonds as necessary each year to be in a position to continue that program. If correct fund balances were available from the district records, \$110,000 of the Series 1992 bonds would have been prepaid instead of \$70,000. At the time of the preparation of the State Auditor's debt service calculations, the district was beginning the planning process for the \$3,100,000 general obligation bond issue that is currently on the ballot for the April 3, 2001 election. It is being structured in a manner that does not require any increase in the current \$1.01 debt service fund levy to make the payments. Prepaying and refunding bonds to save interest expense are very sound long term debt management policies.*

*The district did not overstate the required principal and interest payments for 2002 by \$99,000 when the intent of the board to prepay existing debt is taken into consideration. The increase in fund balances resulting from the current debt service levy will be used to support the proposed bonds or to prepay the existing debt to save future interest expenses, if the proposed bond issue does not pass. Hence, there is no plan for the district to maintain excessive balances in the debt service fund account.*

*The district does recognize the need to be certain the budget accurately reflects the use of fund balances to prepay debt, to revise the debt service calculation worksheets after the prepayment decisions have been made, and to revise the remaining debt service payment schedules each time prepayments occur.*

<b>3. Budgets</b>
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During the five years ended June 30, 2000, the district overspent budgeted expenditures in various funds as illustrated below:

Fund	Budgeted Expenditures	Actual Expenditures	Variance Favorable (Unfavorable)
<u>Year Ended June 30, 2000</u>			
General Fund	1,368,708	1,860,750	(492,042)
Debt Service Fund	210,355	234,059	(23,704)
<u>Year Ended June 30, 1999</u>			
General Fund	1,271,802	1,546,210	(274,408)
Special Revenue Fund	1,433,987	1,580,893	(146,906)
Debt Service Fund	209,993	809,687	(599,694)
Capital Projects Fund	160,068	242,630	(82,562)
<u>Year Ended June 30, 1998</u>			
General Fund	1,138,254	1,238,297	(100,043)
Special Revenue Fund	1,213,875	1,254,528	(40,653)
Debt Service Fund	209,993	211,066	(1,073)
<u>Year Ended June 30, 1997</u>			
General Fund	1,029,873	1,080,815	(50,942)
Debt Service Fund	1,000,645	1,019,047	(18,402)
Capital Projects Fund	610,953	644,658	(33,705)
<u>Year Ended June 30, 1996</u>			
Special Revenue Fund	1,054,042	1,059,861	(5,819)
Capital Projects Fund	1,053,244	2,513,972	(1,460,728)

The board did approve one budget amendment for the General Fund in the year ended June 30, 2000, which is reflected in the budgeted amount in the schedule above. However, expenditures still exceeded the revised budget amount.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 1994, allows for budget amendments, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

In addition, the budget document was not presented to and approved by the school board in a timely manner for the year ended June 30, 2000. The board approved this budget on

September 1, 1999. The district's budgeting policy requires that the budget be adopted by June 30.

In light of the district's declining financial position, it is imperative for the district to prepare accurate budget estimates on a timely basis and for the board to closely monitor actual revenues and expenditures. The board should refrain from approving expenditures in excess of the budgeted amounts, and if necessary, adopt budget amendments in accordance with state law.

**WE RECOMMEND** the School Board closely monitor budgeted and actual revenues and expenditures and ensure expenditures for individual funds do not exceed the amounts approved in the budget, unless proper and timely amendments are made prior to incurring the expenditures. In addition, the board should adopt annual budgets by June 30 of each year as required by district policy.

**AUDITEE'S RESPONSE**

*A board is dependent on its relationship with the district's professional administrative staff to provide budget materials that are accurate, consistent with statutory requirements, and address the goals and objectives of the district. In several instances during the period covered by this audit prior to July 2000, this relationship did not function adequately.*

*Unfortunately, the minutes of the board meetings during the period from June through September 1999 do not reflect the concern of the board that a budget was not prepared for approval or the assurances that were provided by the administration that such a document would be forthcoming immediately following each meeting. Additionally, requests were made for the distribution of updated budget data in order to evaluate the need for revisions in response to expenditures not anticipated during budget development. Those requests seldom resulted in clear explanations of the impact of board decisions on the district's financial condition or updated budget materials.*

*During 2000-01, the Board of Education did approve the 2000-01 budget prior to June 30, 2000. In addition, the board has approved three budget revisions as of February 8, 2001.*

<b>4. Expenditures</b>
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- A. The school district does not always solicit bids or retain bid documentation for major purchases. The district's bidding policy only addresses construction projects and insurance. While district employees indicated bids are sometimes solicited through telephone quotes or other contacts with vendors, documentation showing vendors contacted, prices quoted, and reasons for selecting the successful vendor was not retained for the following purchases during the fiscal year ended June 30, 2000:

<u>Item</u>	<u>Cost</u>
Computers	\$34,014
School bus	30,350
Classroom furniture	3,905
Bus radios	3,716
Roofing materials	3,392
Emergency assistance program	1,950
Backhoe service	1,600

The district's purchasing procedures could be made more effective by adopting a written policy identifying specific bid procedures that are required for each type or size of expenditure. Bids can be handled by telephone quotation, by sealed bid, or by advertised sealed bid. Different approaches may be appropriate, depending on the dollar amount of the purchase. Written documentation of bids also provides evidence that the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of the bid specification, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors.

- B. During our review of expense account reimbursements, the following concerns were noted:
1. The school district reimbursed the former superintendent for \$665 in meal expenses for the year ended June 30, 2000. Included in this amount were meals purchased by the former superintendent for other individuals. The purpose of these meal expenses was not always documented. In addition, some of the meal receipts only listed a total dollar amount, so the number of meals purchased could not be determined.
  2. The school district reimbursed the former superintendent and the former administrative assistant \$1,352, (including \$327 for meals included in part 1 above) without supervisory approval or an authorized signature. Payments to the superintendent should include an authorized signature, possibly that of a board member.

To ensure the propriety of all expenditures, proper supporting documentation, including the purpose and date of each expense, should be required for all expense account reimbursements. In addition, supervisory approval should be documented on all expense account reimbursements.

- C. The school district requires that a purchase order be completed and authorized by both a supervisor and the superintendent for all expenditures, excluding regular recurring expenditures such as telephone and utility bills.

Our review noted that purchase orders were not prepared for some expenditures, some purchase orders were prepared after the expenditure was incurred, and at least one purchase order did not agree to the items actually purchased. In addition, the former superintendent authorized purchase orders for expense account payments to himself, and the former administrative assistant authorized some purchase orders in place of the superintendent including some purchases for the A+ Program which she administered.

To ensure the propriety of expenditures, the district should prepare accurate and timely purchase orders for all expenditures, in accordance with district policy.

- D. The Outstanding Schools Act indicates that each school district shall allocate one percent of its revenue from the state foundation formula to the district's professional development committee (PDC) for professional development. To meet the statutory requirements, 100 percent of the professional development funds must be (1) used for professional development, (2) spent on activities consistent with the professional development plan and approved by the professional development committee, and (3) clearly related to the objectives of the district comprehensive school improvement plan (CSIP).

The district does not have adequate policies and procedures to ensure expenditures relate to the objectives of the CSIP. District employees stated that prior to the current school year, the committee just allowed a certain dollar amount for each teacher to attend training and there were no monitoring procedures to ensure the training met the required objectives. In addition, coaching clinics costing \$241 were charged to these funds during the year ended June 30, 2000, which is not allowed by state guidelines.

To ensure professional development funds are spent in accordance with state guidelines, the district should adopt procedures to monitor all expenditures charged to professional development.

- E. The head cook orders the food, receives food deliveries, compares the invoices with the billing statements, and approves the statements for payment. To minimize the risk that unauthorized expenditures may occur and not be detected, the district should adequately segregate the duties of receiving food deliveries from comparing the invoices with the billing statement and approving the statement for payment. A district employee, other than the head cook, should receive the food deliveries and document the receipt of goods.
- F. Expenditures totaling approximately \$1,203 and \$197 were paid from school funds for appreciation dinners and flowers for funerals and illnesses, respectively. These expenditures do not appear to be necessary for district operations or prudent uses of public funds.

**WE RECOMMEND** the School Board:

- A. Establish formal bidding policies and procedures for all major purchases and retain all bid documentation. If sole source procurement is necessary, the district should retain documentation of these circumstances.
- B. Require adequate documentation for all expense account reimbursements to employees, including the date, purpose, detailed receipts, and supervisory authorization for payment.
- C. Require purchase orders be prepared prior to all purchases in accordance with district policy. Any differences between the purchase order and the actual purchase should be documented and approved by a supervisor prior to payment.
- D. Adopt procedures to monitor all professional development expenditures to ensure that professional development funds are used in accordance with the Outstanding Schools Act.
- E. Segregate the duties of ordering food and approving the statement for payment from receiving food deliveries.
- F. Ensure expenditures are a necessary and prudent use of public funds.

**AUDITEE'S RESPONSE**

- A. *Formal bidding policies were in place prior to 1996-97. The policy was changed sometime between 1997-2000. During 2000-01, a policy committee recommended a revision in Policy DJC and it was approved by the Board of Education. This establishes a formal procedure for major purchases along with retention of bid documentation.*
- B. *Policy DLC-AP was approved by the Board of Education in April 2000. Per this policy, supervisors sign to authorize payment to employees with proper documentation. If the superintendent requests payment, the board president signs to authorize payment.*
- C. *Every effort is made to prepare purchase orders in advance of purchase. When expenditures exceed the purchase order estimate, supervisors do sign to note approval. If the superintendent processes a purchase order for his/her reimbursement, it will require the board president's signature. This process was started in the Spring of 2000 and has continued during 2000-01. The procedures described in place today were in practice in the district until 1997-98.*
- D. *The professional development committee meets monthly. The monthly agenda always includes an update of the current status of the budget. The professional development plan approved by the Board of Education in the fall of 2000 includes a rubric that must be completed by any staff member requesting the use of PD funds. This rubric requires them to state how the activity addresses the district CSIP. Before approval is given, it is*

*reviewed by the building PD representative and the building principal with their signatures indicating approval.*

*E. Beginning March 2001, the head cook will place all orders for food service and when orders arrive, another food service worker will be assigned to check the order to determine it is complete. The signature and date by the food service worker on the invoice will note a complete order and ready for payment.*

*F. A social fund will be established with donations made by employees who wish to participate. At the time of a funeral, illness, etc., funds will be used to purchase flowers, cards, etc. to express sympathy or wishing a speedy recovery from illness. District funds will not be used for this type of expenditure.*

<b>5. Facilities Management</b>
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The district currently maintains high school, junior high, and elementary buildings; an agriculture classroom building; a garage; and a house. Our review of the district's facilities noted the following concerns:

A. The school district does not have a current facility use and improvement plan. In 1998, the school district prepared a facility accessibility study and an accessibility transition plan, which have been partially completed. However, the school district has not updated these plans and portions of the school's property are still not compliant with the Americans With Disabilities Act (ADA). The superintendent stated an architect has been contacted who will complete a study of the school's facilities in the near future.

Formal plans for facility usage and facility needs are necessary to identify the short-term and long-term needs of the district, help ensure school facilities are being used effectively, and help ensure compliance with the ADA.

B. The school district pays \$300 per month for use of the machine shed located at the home of the individual who does the maintenance and repairs on the school buses. The school district has not entered into a written contract with this individual. Written contracts, signed by the parties involved, are necessary to ensure all parties are aware of their responsibilities and to prevent misunderstandings. Section 432.070, RSMo 1994, requires contracts for political subdivisions to be in writing.

**WE RECOMMEND** the School Board:

A. Evaluate facility usage and develop a current plan which identifies the short-term and long-term needs of the district and needed facility repairs and improvements, to ensure the most efficient usage of all school facilities.

- B. Enter into a written agreement regarding the usage of the machine shop for school bus maintenance and repairs.

**AUDITEE'S RESPONSE**

- A. *Considerable time has been spent this year with the Comprehensive School Improvement Plan Committee revising the district CSIP. One section of the revision is a schedule to revise the short and long range facility plan. This revised CSIP was presented to and approved by the Board of Education on February 26, 2001. As this plan is implemented, a portion of it will include updating the ADA compliance.*
- B. *At the February 26, 2001, regular Board of Education meeting, a contract for usage of the machine shop for bus maintenance and repairs through June 30, 2001, was approved. This will be reviewed again for consideration for the 2001-02 fiscal year during May or June 2001.*

<b>6. Personnel and Related Policies and Procedures</b>
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- A. During the 1999-2000 school year, a husband and wife both had contracts to work as full-time custodians for the school district. Full-time status is defined by district policy as working at least 20 hours per week which entitles the employee to certain benefits, including medical insurance. During most of this time period, the wife apparently did not work the required 20 hours per week but continued to receive full-time employment benefits. The husband indicated he recorded some of his work hours on his wife's timesheet to ensure her timesheet showed at least 20 hours per week. The husband discontinued recording hours on his wife's timesheet after February 2000, and although her timesheet showed less than 20 hours worked per week she continued to receive full-time benefits through May 2000. The district did not renew the wife's contract after June 2000.

The husband apparently had the verbal approval of the former superintendent to record some of his work hours on his wife's timesheet, but there is no documentation that the school board approved this arrangement. The husband's hourly wage was higher than his wife's, so the district actually incurred less salary cost when the husband recorded his time on his wife's timesheet. However, the district may have paid inappropriate employment benefits to the wife if she did not actually work 20 hours per week. The school board should review this situation and determine whether to seek reimbursement from the wife for any inappropriate employment benefits paid to her.

- B. The district does not have written overtime policies and procedures. During the 1999-2000 school year, noncertificated personnel were paid for over 1,741 hours of overtime totaling \$19,098. The approval of overtime is not documented prior to the work being completed. Starting in September 2000, the school district no longer allowed payment of overtime, but provided for compensatory time off

work. In September and October 2000, over 134 hours of compensatory time had been accumulated by noncertificated personnel.

Formal policies for overtime and compensatory time are necessary to ensure proper controls over overtime costs. The policy should require prior supervisory approval for all overtime.

- C. The district made payments to employees which were not reported as wages. Payments made in 1999 included \$840 to the prior high school principal for accumulated sick leave. Payments made in 2000 included professional development payments for extra-duty of \$500 to the professional development chair, \$200 to the mentor coordinator, and \$200 to one mentor. These payments appear to represent compensation subject to Form W-2 reporting and payroll tax withholding.
- D. The school district did not issue any Forms 1099-Miscellaneous for the year ended December 31, 1999. The bookkeeper indicated that Forms 1099-Miscellaneous had been issued for prior years and this was just an oversight for 1999. Sections 6041 through 6051 of the Internal Revenue Code require non-employee compensation of at least \$600 in one year, to an individual or unincorporated business, to be reported to the federal government.

**WE RECOMMEND** the School Board:

- A. Review this situation and determine whether any additional action is necessary.
- B. Implement written policies for overtime and compensatory time, including prior supervisory approval for all overtime incurred.
- C. Ensure all wages are reported on Forms W-2 and subject to payroll tax withholding. Prior years' W-2 forms should be amended to reflect these payments.
- D. Issue Forms 1099-Miscellaneous for the year ended December 31, 1999 and ensure this is done in the future.

**AUDITEE'S RESPONSE**

- A. *No further action will take place. One of the individuals no longer works for the district. The individual who still works for the district has conferenced with the current superintendent and clearly understands this is not an option to consider either now or in the future.*
- B. *Payment for overtime is not considered an option in the district during 2000-01. If employees work beyond their regular hours, it is to be taken as compensatory time off. An informal procedure is currently in place to seek supervisor approval to work*

*overtime, record the time, and award compensatory time off. A more structured formal process will be developed, presented to the Board for approval, and be in place for the 2001-02 fiscal year. Board Policy GDBB has been adopted during 2000-01 to partially address this concern.*

- C. Coding of these payments in prior years and currently is assigned by the superintendent. The current superintendent noticed in the past school year some employees were paid stipends using the code for purchased services. The current superintendent understands this is an inappropriate code and has not allowed this to happen during 2000-01. All stipends paid to staff members are recorded under the salary code and benefits are properly charged and assigned.*
- D. Forms 1099 have been properly issued in prior years. The situation during 1999-2000 was merely an oversight and has been handled correctly during 2000-01. Forms 1099 will be issued for 1999-2000.*

**7.**

**General Fixed Asset Records and Procedures**

- A. The school district has not established a permanent detailed record of the property owned by the district. The district requires teachers to prepare an annual inventory list of their classrooms; however, a supervisory review of changes made from year to year is not performed and approval of items discarded is not documented. Adequate property records are necessary to secure better internal control over property, provide a basis for determining proper insurance coverage, and provide assurance to the public that assets purchased with school monies are being utilized by the school district.

Without these records, the district does not have a reliable record of property owned. In addition, the district is unable to prepare and present in its financial statements a statement of changes in general fixed assets or a general fixed assets account group, as required by generally accepted accounting principles.

- B. The district does not utilize prenumbered inventory tags that identify fixed asset items as “Property of New Bloomfield R-III School District”. Prenumbered tags, when affixed to property items, allow for identification of the property in the records and limit the potential for personal use of school district assets.

**WE RECOMMEND** the School Board:

- A. Require general fixed asset records be maintained on a current basis.
- B. Ensure prenumbered inventory tags that label each item as “Property of New Bloomfield R-III School District” are attached to all property and equipment.

**AUDITEE'S RESPONSE**

- A. *When items are no longer considered of educational value, the Board of Education approves the removal of items by official board action. This procedure is outlined in Board Policy DID-AP. A process to maintain general fixed asset records will be developed and presented to the Board of Education for approval by July, 2001.*
  
- B. *As a part of the fixed asset record system mentioned in item A, a procedure will be developed to identify property and equipment. This may be through the use of engravers or the use of other identification such as inventory tags.*

This report is intended for the information of the school board and district's management. However, this report is a matter of public record and its distribution is not limited.

## APPENDICES

APPENDIX A

NEW BLOOMFIELD R-III SCHOOL DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - GENERAL AND SPECIAL REVENUE FUNDS  
 FIVE YEARS ENDED JUNE 30, 2000

	Year Ended June 30,				
	2000	1999	1998	1997	1996
<b>Revenue:</b>					
Local	\$ 1,377,288	1,270,798	1,168,709	1,046,550	930,997
County	111,999	103,646	97,663	98,791	95,876
State	1,929,536	1,569,532	1,677,986	1,203,082	1,042,911
Federal	160,576	92,256	107,310	85,435	93,517
Other	0	0	0	0	753
Total revenue	<u>3,579,399</u>	<u>3,036,232</u>	<u>3,051,668</u>	<u>2,433,858</u>	<u>2,164,054</u>
<b>Expenditures:</b>					
Instruction	1,939,650	1,823,319	1,315,580	1,213,652	1,102,983
Attendance	40,947	22,265	0	0	0
Student activities	0	0	108,153	116,001	93,547
Guidance	98,998	70,997	61,829	53,283	31,690
Heath, psych, speech and audio	44,315	40,498	31,414	34,277	14,552
Improvement of instruction	203,587	5,418	3,115	5,010	4,615
Professional development	12,720	9,505	11,509	8,173	7,598
Media services	74,523	98,554	60,809	55,895	46,247
Board of education services	44,877	34,153	22,316	11,386	13,358
Executive administration	184,219	200,884	126,415	113,002	105,960
Building level administration	218,742	153,118	161,765	129,149	127,458
Operation of plant	457,463	354,702	316,227	281,046	197,443
Pupil transportation	205,010	152,080	132,580	109,667	90,845
Food services	160,214	145,718	133,770	108,124	109,236
Business / central services	30	363	0	0	0
Community services	16,038	14,710	7,343	5,110	2,856
<b>Debt service:</b>					
Principal retirement	0	0	0	0	0
Interest and fees	0	819	0	0	3,694
Total expenditures	<u>3,701,333</u>	<u>3,127,103</u>	<u>2,492,825</u>	<u>2,243,775</u>	<u>1,952,082</u>
Revenues over (under) expenditures	(121,934)	(90,871)	558,843	190,083	211,972
Transfers to Capital Projects Fund	(143,950)	(186,157)	(195,674)	0	(6,696)
Fund balance at beginning of year	450,991	728,019	364,850	174,767	(30,509)
Fund balance at end of year	<u>\$ 185,107</u>	<u>450,991</u>	<u>728,019</u>	<u>364,850</u>	<u>174,767</u>

APPENDIX B

NEW BLOOMFIELD R-III SCHOOL DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - GENERAL (INCIDENTAL) FUND  
 FIVE YEARS ENDED JUNE 30, 2000

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Revenue:					
Local	\$ 1,375,629	1,270,798	1,168,709	1,046,550	930,997
County	72,741	71,312	68,632	72,819	70,044
State	1,929,536	1,569,532	1,677,986	1,203,082	1,042,911
Federal	160,576	92,256	107,310	85,435	93,517
Other	0	0	0	0	753
Total revenue	3,538,482	3,003,898	3,022,637	2,407,886	2,138,222
Expenditures:					
Instruction	505,349	551,776	295,935	257,864	225,219
Attendance	40,947	22,265	0	0	0
Student activities	0	0	108,153	116,001	93,547
Guidance	15,812	14,205	11,376	8,721	5,915
Heath, psych, speech and audio	44,315	40,498	31,414	34,277	14,552
Improvement of instruction	143,233	5,418	3,115	4,559	4,570
Professional development	10,960	6,729	9,467	7,064	5,828
Media services	36,559	60,520	32,155	28,480	19,845
Board of education services	44,877	34,153	22,316	11,386	13,358
Executive administration	97,353	87,438	67,342	61,529	56,739
Building level administration	82,591	54,816	67,104	46,989	48,574
Operation of plant	457,463	354,702	316,227	281,046	197,443
Pupil transportation	205,010	152,080	132,580	109,667	90,845
Food services	160,214	145,718	133,770	108,124	109,236
Business / central services	30	363	0	0	0
Community services	16,038	14,710	7,343	5,110	2,856
Debt service:					
Principal retirement	0	0	0	0	0
Interest and fees	0	819	0	0	3,694
Total expenditures	1,860,751	1,546,210	1,238,297	1,080,817	892,221
Revenues over (under) expenditures	1,677,731	1,457,688	1,784,340	1,327,069	1,246,001
Transfers in (out)	(1,943,615)	(1,734,716)	(1,421,171)	(1,136,986)	(1,040,725)
Fund balance at beginning of year	450,991	728,019	364,850	174,767	(30,509)
Fund balance at end of year	\$ 185,107	450,991	728,019	364,850	174,767

APPENDIX C

NEW BLOOMFIELD R-III SCHOOL DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - SPECIAL REVENUE (TEACHERS) FUND  
 FIVE YEARS ENDED JUNE 30, 2000

	Year Ended June 30,				
	2000	1999	1998	1997	1996
<b>Revenue:</b>					
Local	\$ 1,659	0	0	0	0
County	39,258	32,334	29,031	25,972	25,832
State	0	0	0	0	0
Federal	0	0	0	0	0
Other	0	0	0	0	0
Total revenue	40,917	32,334	29,031	25,972	25,832
<b>Expenditures:</b>					
Instruction	1,434,301	1,271,543	1,019,645	955,788	877,764
Attendance	0	0	0	0	0
Student activities	0	0	0	0	0
Guidance	83,186	56,792	50,453	44,562	25,775
Health, psych, speech and audio	0	0	0	0	0
Improvement of instruction	60,354	0	0	451	45
Professional development	1,760	2,776	2,042	1,109	1,770
Media services	37,964	38,034	28,654	27,415	26,402
Board of education services	0	0	0	0	0
Executive administration	86,866	113,446	59,073	51,473	49,221
Building level administration	136,151	98,302	94,661	82,160	78,884
Operation of plant	0	0	0	0	0
Pupil transportation	0	0	0	0	0
Food services	0	0	0	0	0
Business / central services	0	0	0	0	0
Community services	0	0	0	0	0
<b>Debt service:</b>					
Principal retirement	0	0	0	0	0
Interest and fees	0	0	0	0	0
Total expenditures	1,840,582	1,580,893	1,254,528	1,162,958	1,059,861
Revenues over (under) expenditures	(1,799,665)	(1,548,559)	(1,225,497)	(1,136,986)	(1,034,029)
Transfers in (out)	1,799,665	1,548,559	1,225,497	1,136,986	1,034,029
Fund balance at beginning of year	0	0	0	0	0
Fund balance at end of year	\$ 0	0	0	0	0

APPENDIX D

NEW BLOOMFIELD R-III SCHOOL DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND  
 FIVE YEARS ENDED JUNE 30, 2000

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Revenue:					
Local	\$ 294,977	305,045	241,929	180,924	155,767
County	23,024	21,480	21,187	16,238	15,175
Other	0	540,000	17,284	825,000	0
Total revenue	<u>318,001</u>	<u>866,525</u>	<u>280,400</u>	<u>1,022,162</u>	<u>170,942</u>
Expenditures:					
Debt service:					
Principal retirement	120,000	650,000	100,000	910,000	75,000
Interest and fees	114,059	159,687	111,066	109,047	122,884
Total expenditures	<u>234,059</u>	<u>809,687</u>	<u>211,066</u>	<u>1,019,047</u>	<u>197,884</u>
Revenues over (under) expenditures	83,942	56,838	69,334	3,115	(26,942)
Fund balance at beginning of year	<u>211,622</u>	<u>154,784</u>	<u>85,450</u>	<u>82,335</u>	<u>109,277</u>
Fund balance at end of year	<u>\$ 295,564</u>	<u>211,622</u>	<u>154,784</u>	<u>85,450</u>	<u>82,335</u>